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SEPTEMBER 11, 1972

Changes in Fruit and Vegetable CAP

Sweden's Private Brands

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Fresh tomatoes, such as these being harvested in Italy, are one of several fresh produce items that would be affected by proposed changes in the EC's fruit and vegetable CAP. For details see article beginning on this page.

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FRUIT AND VEGETABLE CAP CHANGES WOULD HURT U.S. EXPORTS

By ROSINE M. PLANK
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Major proposals for amending the European Community's Common Agricultural Policy (CAP) on fruits and vegetables have been submitted by the EC Commission for action by the Council early this autumn. Domestic prices, market intervention, and import restrictions on such fruits as oranges, apples, lemons, and grapes could be raised if these proposals are carried out. Such action would have serious consequences for U.S. trade.

Price support and intervention system. The EC maintains a domestic system of support prices for fresh cauliflower, tomatoes, sweet oranges, mandarins, lemons, table grapes, apples (other than cider apples), pears (other than perry pears), and peaches (not including nectarines). These prices are fixed annually by the Council and are valid for the whole Community.

There are three key prices involved in the EC intervention system. "Base prices" are established from a 3-year average of price quotations observed in areas of surplus production where prices are the lowest and which account for 20-30 percent of production of the products being considered.

"Purchase prices" are a fixed percentage of the base price and indicate at what level Member States must intervene in the market to buy produce. Producer organizations are entitled to be reimbursed by the Member States for withholding their produce at the "withdrawal price" level which is equal to the purchase price increased by 10 percent of the base price.

The new regulations would provide more flexibility to this system. Because market prices have been declining, the Commission proposes to have support prices fixed by negotiation among the Member States in the Council, rather

A typical

Lemons being shipped by rail from Sicily to northern Europe.

than by arithmetic averages. The 1973-74 prices would be fixed before April 1, 1973, and those for subsequent marketing years before August 1 of the preceding season. In the past, Member States could not begin purchasing a product on the market until the Commission had declared a state of "serious crisis." Under the new proposal, such a declaration would no longer be needed before the Member States could act.

In view of the political realities and the agricultural situation in the EC, it can be assumed that domestic prices and market withdrawals would increase under this amended system.

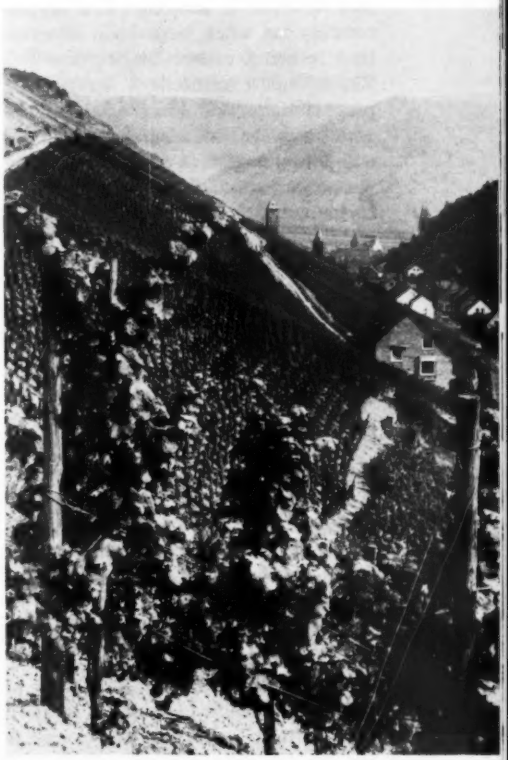
Import protection system. In order to strengthen protection against imports from third countries the Commission proposes two main changes to the basic marketing regulation.

Reference prices are fixed annually by the Council for all of the Community on the basis of a 3-year average of producer prices observed on one or more representative markets where prices are lowest.

The new proposal would amend this calculation so that the average change of the base and purchase prices would also be considered. Moreover, the proposed new reference price would include transportation and other costs between the producer zone and the marketing center.

This would mean higher reference prices which may seriously affect third-country suppliers—including the United States. In addition entry prices would no longer be reduced by the equivalent of costs from the EC frontier to the reference market.

Reference prices act as minimum import prices. Imports priced below reference prices are subject to a compensatory tax to be added to the customs duty. This tax covers the difference between reference and entry prices.



Grape vineyards planted along the steep hillsides of southern Germany.

A typical French street market for the sale of fruits and vegetables.

Picker samp'es pears during harvesttime in Italy.

According to Commission proposals, the new calculation of the reference price would be applied to: Oranges and mandarins on October 1, 1972; lemons and pears on June 1, 1973; apples on July 1, 1973; and cauliflower, tomatoes, grapes, and peaches on May 1, 1973.

Preventive duty is the most troublesome measure for the United States. This measure proposes that as of October 1, 1972, imports from third countries can be suspended, limited to certain varieties, or subjected to a supplementary tax when large scale intervention is being undertaken by the EC. These import restrictions on a given product can take effect after 4 consecutive weeks of EC purchase and withdrawal measures for apples, pears, or lemons and after 2 consecutive weeks for the other fruits and vegetables such as oranges and grapes.

This supplementary tax would be equal to 50 percent of the difference between the base price and the withdrawal price. It would be applied until a significant reduction in volume bought or removed from trade was observed for at least 1 week.

In the past, the EC has undertaken major intervention for apples, peaches, pears, and tomatoes and may continue to do so in the future. The proposed amendments to the intervention system would make market intervention automatic and more frequent, and therefore would increase the probability of these new import restrictions.

The provisions are discriminatory as a supplementary tax would not apply to imports from countries which receive preferential treatment by adhering to minimum import prices.

Export refund system. Many fruits and vegetables including those already mentioned—as well as almonds and walnuts—are now eligible for export subsidies that cover the difference between prices inside and outside the EC. The Commission proposes to introduce advance fixing of export restitutions as of October 1, 1972, and account will be taken of anticipated prices and prevailing prices.

Thus, the Commission's proposals to amend the intervention system, the reference price system, export refunds, and to introduce import restrictions are extensive and can be viewed as another example of domestic protection at the expense of EC consumers and third-country suppliers.

ARGENTINE GOVERNMENT AND BEEF INDUSTRY SEEK ANSWER TO MEAT SHORTAGE PROBLEM

New Commission assigned tough job of expanding beef exports, keeping domestic meat prices down, and stimulating beef production.

Argentina's beef industry and Government officials are trying to come up with a workable way to balance the domestic demand for beef at reasonable prices and export requirements.

Since early 1971, Argentina has had in effect a program of meatless days in order to decrease domestic beef consumption and make larger meat stocks available for export. Statistics recently released by the National Meat Board indicate this policy has had some degree of success. However, a move several months ago to increase the number of meatless days per month met with public resistance.

The original restriction, instituted in March last year, banned local-market beef sales during alternate weeks. The new one, which was in effect for only 2 weeks in late June and early July, was to have banned local consumption for a period of 14 days, alternating with a week in which consumption was to have been permitted.

During the so-called meatless period, packers and butchers would have been permitted by the new rule to sell five cheap beef forequarter cuts which are not normally exported. The regulation also would have limited the number of cattle slaughtered for domestic consumption to 60 percent of the total killed during the 2-week period in May when meat sales had been permitted.

It soon became apparent that the new order increasing the number of meatless days was unacceptable to many Argentines both in the producing and the consuming sectors.

Consumers complained that the cheap cuts of beef were not generally available. Trade union leaders charged that some 200,000 workers in the meat industry faced unemployment, while slaughterers claimed that some of their plants were on the verge of closing.

In the face of these complaints, the

Government returned to the plan it had originally instituted last year. It also changed the slaughter proportion from 60 percent to 80 percent of the base period, and allowed the sale of 15 non-exportable cuts of beef (instead of five) during the week when beef sales were normally restricted.

At about this time, the Minister of Agriculture tacitly admitted the seriousness of the crisis—commonly believed to be second in importance after the political situation—by appointing a Commission to study the predicament and to make recommendations.

The goal of the Commission, largely made up of livestock-industry representatives, is to provide a formula that will permit a greater increase in beef exports so as to provide foreign exchange badly needed by the Government; and also keep domestic meat prices down but at the same time stimulate beef production. Some observers see this as a formidable, if not impossible, task.

The Argentine National Meat Board's statistics indicate that domestic consumption of beef in the first 6 months of 1972 was down when compared with the same period last year, while exports had risen. Cattle-slaughter numbers, carcass yields, and total production were also up.

Cattle slaughter in the first half of 1972 was 5.1 million head compared with 4.9 million slaughtered during the corresponding period of 1971, an increase of 4 percent. Higher carcass weights (from 443 lb. to 476 lb.) resulted in an increase in beef production from 987,000 metric tons during the first half of 1971 to 1.1 million tons during the January-June period of 1972, a 12-percent boost. Beef production scheduled for export during the first 6 months of 1972 reached 344,000 tons, up 61 percent from the same period a year earlier.

The proportion of total beef production exported during the first half of 1972 was 31 percent. This compared with 21.5 percent for the same 1971 period and 24 percent for all 1971.

On the other hand, domestic consumption of beef during the first half of 1972 totaled 757,000 tons, compared with 773,000 tons during the corresponding period a year ago.

The value of meat and meat product exports during the January-June period of 1972 reached nearly $306 million, up some 70 percent from the $179 million shipped during the first half of 1971; this reflects both larger volume and higher prices. Most of this increase was due to larger shipments of beef products, although the value of exports of both horsemeat and offals exceeded those of the similar period of 1971.

Total cattle slaughter in 1972 will range between 10.5 and 10.8 million head, while beef production is expected to reach an estimated 2.3 million tons. Assuming that some 30 percent of total production is exported, beef exports in 1972 could reach nearly 700,000 tons.

—Based on a dispatch from
DALTON L. WILSON
U.S. Agricultural Attaché
Buenos Aires

ARGENTINA'S CATTLE SLAUGHTER, LIVEWEIGHT, BEEF PRODUCTION, EXPORTS, AND DOMESTIC CONSUMPTION

Year	Slaughter	Average weight	Production	Exports	Domestic consumption	Share of production	
						Exports	Consumption
	Million head	*Pounds*	*1,000 metric tons*[1]	*1,000 metric tons*[1]	*1,000 metric tons*[1]	*Percent*	*Percent*
1970:							
January-June	7.1	450	1,446	401	1,045	27.5	72.5
July-December	5.8	447	1,178	267	911	22.0	78.0
Total	12.9	—	2,624	668	1,956	—	—
1971:							
January-June	4.9	443	987	214	773	21.5	78.5
July-December	4.7	483	1,030	280	750	27.0	73.0
Total	9.6	—	2,017	494	1,523	—	—
1972:							
January-June	5.1	476	1,101	344	757	31.0	69.0

[1] Carcass weight equivalent.

KOREANS TASTE FIRST U.S.-STYLE FED BEEF

Beef from the first shipment of U.S. feeder cattle ever airlifted to Asia was introduced to the Korean public at a June reception for more than 200 Korean Government, industry, and consumer representatives. They viewed fresh beef displays and sampled steaks, roasts, and hamburger.

The first two steers slaughtered, an Angus and a crossbred Hereford, weighed 1,192 pounds and 1,057 pounds. Carcass yields were 65.8 percent and 64.0 percent, respectively.

The pilot project represents a considerable change from the traditional Korean use of cattle as draft animals which are generally fed at maintenance levels.

Korean beef is typically lean and tough, carved from draft animals that are often past their prime. Meat is sliced into thin strips and barbecued over charcoal to prepare a popular dish called *pulgogi*. Except in tourist hotels, no U.S.-style fed beef is served. Beef from this pilot project is comparable to U.S. choice grade, and proved to be very popular with guests at the June reception.

Korea's beef cattle program has been aided by the U.S. Feed Grains Council (USFGC). In October 1971 USFGC, in cooperation with Daehan Feed and Livestock Company of Seoul, airlifted 264 feeder calves from Oklahoma to the Republic of Korea via a DC-8 stretched jet. The calves were placed in a feedlot built by Daehan to meet specifications prepared by the Council. The feedlot, basically the same as could be found in the United States, was readily adapted to the temperate Korean climate.

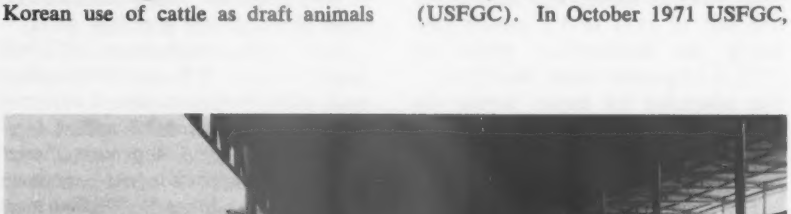
The project was undertaken to establish the feasibility of intensive beef feeding on modern U.S.-style feedlots in Korea for a growing domestic demand for beef, as well as processing and shipment of select cuts to other East Asian markets.

Upon arrival at their new Korean home, the cattle weighed an average of 300 pounds. Weights ranged from 152 pounds to 400 pounds. Most of the cattle were crossbreds of various types, with a group of Holsteins also included. Crossbreds represented various combinations of Hereford, Angus, and Brahman. A full-time feedlot management consultant was brought in from the United States to oversee the demonstration feedlot and to train Korean personnel.

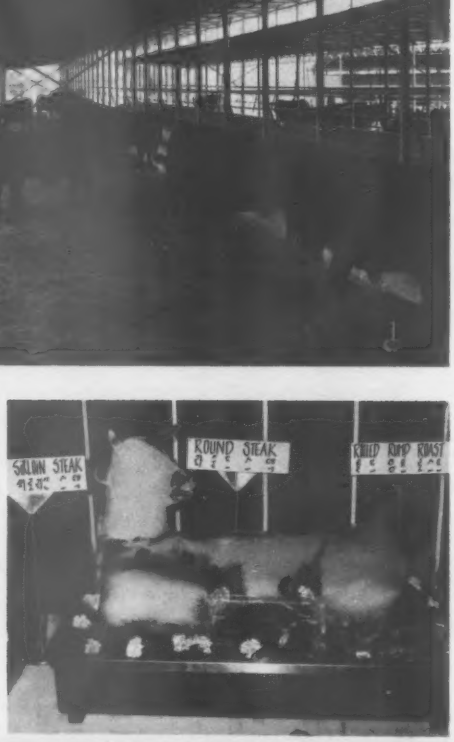
Since this was a test as well as a demonstration, individual cattle were weighed regularly and complete records kept on performance and feed costs. Average daily gains after 200 days on feed were 2.75 pounds, with a high of 3.2 pounds and a low of 2.5 pounds. Feed conversion (pounds of feed required to produce a pound of gain) averaged a low 5.35. Feed costs are running about 23.5 cents per pound of gain.

The feed ration consisted of 50 percent corn and 50 percent rice hulls, wheat bran, wheat germ meal, and necessary vitamins and minerals, plus a small amount of alfalfa hay. This ration was formulated by computer on a least-cost basis, taking local ingredients into account where possible.

Several hundred cattlemen from Japan and other Asian countries (and, of course, Korea) have visited the feedlot since the project began. At least a dozen other firms are now planning to produce intensive fed beef in Korea. The Daehan feedlot concept is expected to spread to Japan, Taiwan, Hong Kong, and other Asian countries. From all indications, the project must be rated a success.



Above, Black Angus feeders at Daehan's U.S.-style feedlot.



Right, ice sculpture highlights a meat display at the June reception.

India Continues To Buy U.S. Tallow As Economical Soap Ingredient

By LYLE E. MOE
Assistant U.S. Agricultural Attaché
New Delhi

India is expected to remain a good market for U.S. tallow even though no longer able to obtain it under P.L. 480, or with AID (Agency for International Development) loan funds. Need for edible and nonedible oils is steadily rising and imported tallow is more economical for soapmaking than the domestic edible oils formerly used. The United States has been India's primary source for tallow since 1966.

A decade ago India was relatively self-sufficient in its needs for fats and oils. However, since then production has been practically stagnant while demand has been growing steadily due to an increasing population and expanding economy. Because of advancing price levels of imported vegetable oils during the 1960's Indian officials decided that domestic vegetable oils being used by the soap industry, primarily peanut oil, should be used only for edible purposes.

Accordingly, the Indian Government began importing tallow as a more economical ingredient than vegetable oils for soapmaking. Tallow imports, almost negligible through 1966, rose to an average of 97,244 metric tons valued at $18 million during the fiscal years 1968-71. Purchases from the United States during this period averaged $16.3 million, or 90 percent of the total.

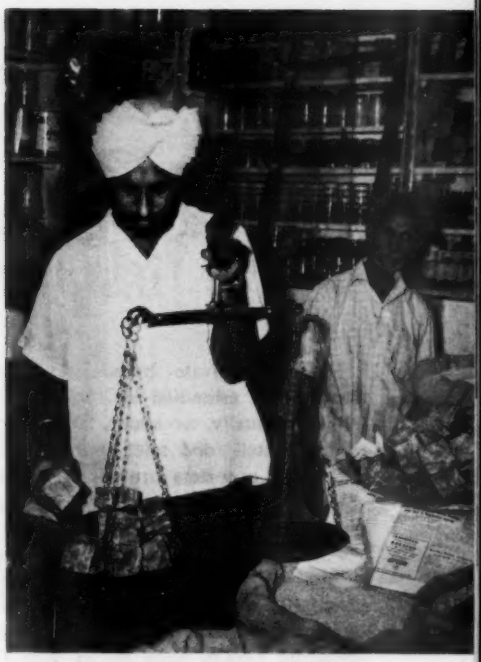
The United States was a natural source for tallow as the United States produces some 50 percent of the world's total, accounts for some two-thirds of the world's tallow trade, and is the only country able to accept bulk orders throughout the year. U.S. tallow production during 1971-72 is estimated at 5.3 billion pounds, of which domestic needs are expected to approach 2.7 billion pounds. The current 1971 U.S. export level of 2.6 billion pounds is more than four times as high as that of 20 years ago.

In contrast to the United States, where 40 percent of output goes into the mixed feed industry, practically all of the inedible tallow imported by India is used in the soap industry. None is used by the country's mini-scale mixed feed industry. India's soap is produced mainly by two methods—by large and medium-scale organized manufacturing units or by small producers using simple, primitive equipment. Units with a plant and machinery investment of more than $100,000 (equivalent) are considered in the organized group.

The organized group has 44 operating soap units with relatively modern machinery. Their total production during the past 4 years has increased at an annual average rate of 4.6 percent reaching some 270,000 metric tons in 1971. The inputs for this quantity were coconut oil (6,000-6,500 tons); hard oils, including tallow (115,000-120,000 tons); soft oils (35,000-40,000 tons); and rosin (around 10,000 tons). Coconut oil in toilet soap production has sharply declined in recent years.

Soap production by simple, primitive equipment is almost entirely laundry soap. Production estimates vary from 350,000 to 500,000 tons per year. Production of 350,000 tons requires around 120,000 tons of oils and fatty matter. Of this amount around 30,000 to 35,000 tons of tallow are being imported.

For both methods of production it is estimated that around 285,000 tons of oils and fatty matter are currently consumed each year in the manufacture of soap. As the use of edible oil for soapmaking is strongly discouraged by the Indian Government, future increases in the demand for fats and oils for the soap industry will be met through greater use of tallow, nontraditional domestic oils, and/or detergents.



U.S. tallow goes into laundry soap, being sold in this Indian shop.

Although tallow is an economical substitute for edible vegetable oils for the soap industry, India would like to cut down on its imports. Since the recent Indo-Pakistan conflict and the suspension of AID nonproject loans, India is making a most searching effort to reduce its reliance upon imports in every sphere.

Thus, as a substitute for tallow, considerable attention is being given to the increased use of minor tree oils like neem, karanja, kusum, sal, and rice bran oil. To encourage increased use of such oils, the Government of India has recently initiated excise rebates for each ton of tree oil and rice bran oil used in manufacturing soap.

While the potential annual availability of tree oils is estimated at a minimum of 200,000 to 300,000 tons, less than 5,000 tons a year are currently being used. Most tree oils require preprocessing which involves extra cost. Also, the meal is of little value and problems in obtaining a steady, reliable supply from the interior forests have yet to be overcome.

Rice bran oil is considered a more short-run answer to the fat shortage. Currently around 35,000 tons are being

(Continued on page 16)

Sweden's Private Brands Offer Market For Exporters of U.S. Food Products

By NORRIS T. PRITCHARD
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Sales of private brand foods in Sweden are estimated at about $400 million annually, or about 10 percent of total retail food sales. Enterprising U.S. food exporters are slicing themselves a share of this small but lucrative market.

Although Sweden is small, it is one of the world's most industrially, economically, and culturally advanced nations. More than 25 years of sustained economic growth since World War II have raised the level of living to equal that of Canada, which is second only to that of the United States. In all three countries, levels of living, markets for consumer goods, and business practices are remarkably similar.

As in North America, rapid economic growth in Sweden has stimulated vast changes in the economy and the food marketing system; in food consumption and shopping patterns; in numbers of automobiles, refrigerators, and supermarkets; in numbers of gainfully employed women; and in the tempo of daily living.

In 1970, the estimated market value of all food consumed in Sweden was equal to $4.5 billion, or less than 4 percent of the estimated $114 billion spent by U.S. consumers for food. The Swedish food market is small because it serves only 8.1 million people, compared with the U.S. market which serves an estimated population of 204.8 million. The average Swedish consumer has a much smaller after-tax income than the average U.S. consumer, but more of it is spent for food. In 1970, Swedish consumers spent nearly 25 percent of their disposable incomes of $2,271 for food, compared with less than 17 percent spent by U.S. consumers of after-tax incomes averaging $3,358. Thus, per capita food expenditures in Sweden are nearly equal to those of the United States.

The Swedish marketing system is modern, dynamic, and highly concentrated. Presently, only eight firms handle about 75 percent of total retail food sales. Soon, no more than six firms probably will handle 90 percent of Sweden's food marketing plus most of the catering trade.

In food manufacturing, even higher levels of concentration are common. For major product lines no more than four companies have nearly three-fourths of the Swedish market.

Sweden's largest retailer is the consumer cooperative chain of food and department stores which sells a broad assortment of its own products. The chain has an estimated 95-percent share of the retailer label food market.

All but a few of the co-op label foods are produced by the Kooperativa Forbundet (KF). KF is the Association of Swedish Consumer Cooperatives, whose functions include wholesaling and manufacturing. It is Sweden's fourth largest industrial enterprise. KF's food factories are increasing their production about as fast as the co-op stores are increasing their food sales. Thus, KF is not expected to increase its limited purchases of co-op label foods from other sources.

In addition, Sweden's biggest retailer cooperative, ICA, is not expected to expand its small assortment of ICA label foods, most of which are processed in its own plants.

In sharp contrast to the ICA stores, the cooperative Konsum and Damus stores sell wide assortments of private brands. Most of these co-op products are processed in several large KF factories whose combined 1970 output was valued at $379 million. Most of this production was sold in Swedish co-op stores. KF imported about $84 million of food products in 1970, chiefly raw and semiprocessed for KF factories, manufacturer label items, and KF label foods manufactured by other co-ops elsewhere in Scandinavia.

A few Swedish food manufacturers import small volumes of U.S. food under their labels. This variant of private label marketing offers good, but limited, prospects for expansion of U.S. food exports.

Most Swedish food manufacturers have indicated interest in substantive discussions with U.S. food processors on importing selected U.S. products by several possible methods. These include: Importing and marketing U.S. foods under a Swedish manufacturing label; importing U.S. food products in bulk for further processing in Sweden and labeling by Swedish manufacturers; marketing U.S. brands under contractual arrangements, with the Swedish company's marketing division acting as the U.S. firm's marketing agent in Sweden; and producing and marketing products in Sweden under license from a U.S. manufacturer.

All of Sweden's large food processors have marketing divisions capable of providing essential modern marketing services on a national scale. Interested U.S. manufacturers may find discussions with these Swedish companies well worth any time or expense.

U.S. food manufacturers whose brands already are well known to Swedish consumers enjoy good prospects for increasing their exports to Sweden. Rising consumer incomes provide the foundation for growth of the Swedish food market estimated at about 2.6 percent a year in the seventies. Even more rapid expansion is expected in sales of convenience and health foods, winter-season fresh fruits and vegetables, and a growing variety of high-quality, labor-saving products.

Several U.S. manufacturers' brands now have strong market positions in a number of product lines in Sweden. Their success stems from years of effective use of modern marketing

Supermarkets in Sweden offer a wide variety of foods, both domestic and imported, including a number of U.S. brands.

methods, including pricing policies that encourage most Swedish retailers to merchandise manufacturer brands rather than retailer brands.

The most favorable prospects for U.S. exporters, however, continue to be limited to the product groups in which U.S. food sales to Sweden already are concentrated. These mainly are fruits, fruit juices, vegetables, nuts, rice, and a few other items not subject to Sweden's long list of special agricultural import taxes.

These variable import levies are formidable barriers to imports of many of the farm commodities which would compete with items produced in Sweden. However, there are some exceptions to the general rule. For example, a convenience product such as a snack food may surmount the import tax barrier despite high import tax rates on the basic ingredients because the value of the ingredients—and thus the amount of the tax—is only a small fraction of the product's retail price.

Although the 1,420 supermarkets operating in January 1971 were only 6 percent of all food stores, their share of 1970 food sales was nearly 44 percent. In contrast, the 14,250 counter-service shops, including an estimated 10,000 specialty shops, had only 21 percent of the food market.

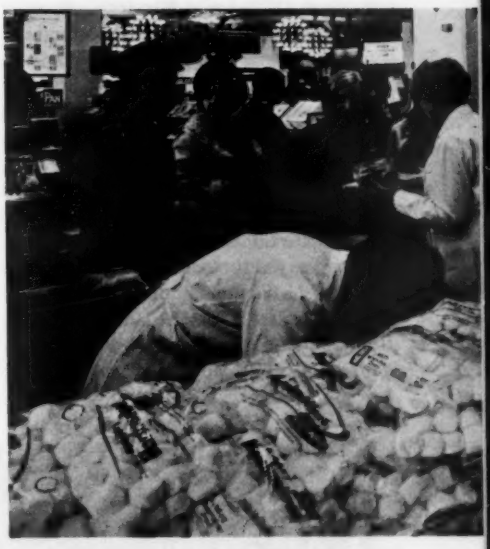
In the seventies, thousands of Sweden's little food stores will be replaced by comparatively few modern supermarkets, hypermarkets, and discount and traditional department stores.

Among the 12,790 grocery stores in business in January 1971, 8,295 had 1970 sales ranging around $200,000, while sales of the 10,000 specialty shops were only about $62,500. Thus, the long-term survival prospects of the small shops are not bright.

On the other hand, prospects are reasonably favorable for Swedish supermarkets to achieve by 1980 the same 80-percent market share that U.S. supermarkets probably will have by then.

Competition among the leading Swedish food retailers is intense. Like their North American counterparts, the Swedish companies are strongly consumer oriented and have similar growth and profit goals. They are managed by skilled executives who know their market well and who effectively employ modern market strategies and methods similar to those used by U.S. and Canadian distributors and manufacturers.

Thus, successful marketing of U.S. foods in Sweden requires essentially the same mix of marketing strategies and methods and the same expertise as that used effectively in this country.



Based on the author's *The Swedish Market for Private Brand Foods: Dimensions and Prospects*, Foreign Agr. Econ. Rept. No. 82 (August 1972)—one of a series sponsored by the Foreign Agricultural Service and prepared by the Economic Research Service.

U.N. Sanctions Against Rhodesia Bring Changes in Farm Production

By JOHN C. DUNMORE
Foreign Demand and Competition Division
Economic Research Service

and WILLIAM R. HATCH
U.S. Agricultural Attaché
Pretoria

Sanctions imposed against Rhodesia by the United Nations after the former's unilateral declaration of independence (UDI) in November 1965 have forced major changes in the role and structure of the country's agricultural sector.

Since UDI, some Rhodesian farmers have veered away from tobacco as a major export crop and have increased output of other commodities, largely for domestic consumption. At the same time, however, serious efforts have been made to increase production of other products for which there is a demand on world markets.

Despite the U.N. sanctions, Rhodesia has managed to remain active as an exporter, but it is not possible to determine at what level. In 1964 and 1965, Rhodesia's exports of agricultural commodities stood at $144.9 million and $178.8 million, respectively.

A scarcity of data makes it virtually impossible to determine export totals since the imposition of the sanctions, but Rhodesia's exports of agricultural commodities still probably comprise the majority of export earnings. Exports of cotton and beef, which have taken up much of the slack caused by the decline of tobacco exports, are known to have increased in recent years.

Despite agriculture's importance to Rhodesia's export total, its contribution to Rhodesia's gross domestic product (GDP) decreased. Prior to UDI, agriculture's share of Rhodesia's GDP stood at 20.5 percent; it declined to about 18.2 percent between 1966 and 1970.

During the 5-year sanction period under study (1966-70), the total economy (at current prices) grew at an annual average rate of 9 percent for a 5-year total of 41 percent, while agriculture showed only a 4.3 percent annual average growth.

In terms of value, agriculture's share of the GDP in 1963 was $180.4 million out of a total GDP or $862.9 million. By 1970, total GDP had mounted to $1.3 billion, while the value of agriculture had risen to only $225.8 million.

That Rhodesia's agriculture sector was able to make this contribution to the country's economy—as a foreign-exchange earner and a large-scale employer of labor—was largely because the Government imposed controls over practically every area of economic endeavor. Production and price controls, combined with economic incentives to encourage farmers to diversify production, did much in the agricultural sector to prevent total collapse and to maintain a viable economic environment.

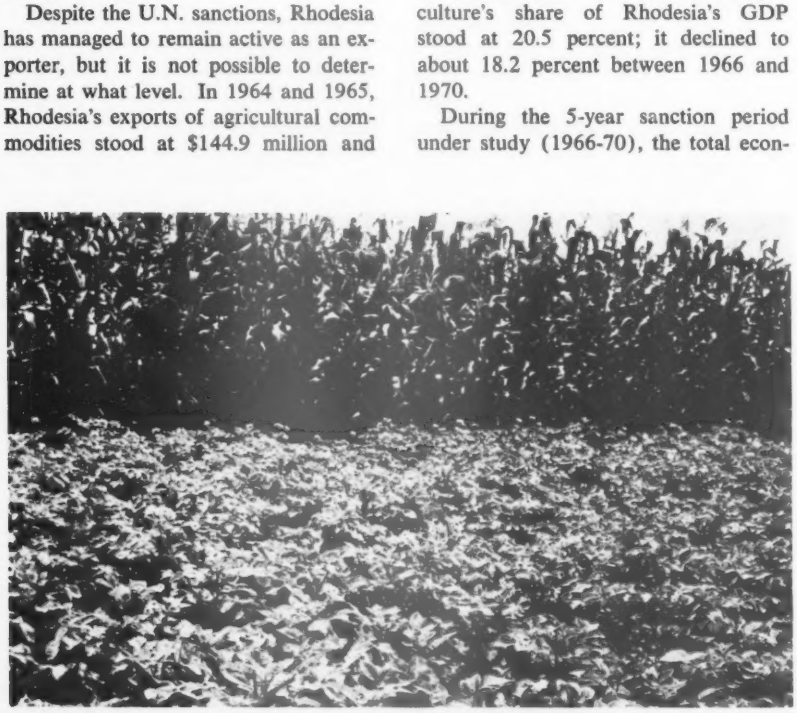
Rhodesia's most important agricultural export crop—**tobacco**—was a major casualty of the U.N. action. With the loss of their most important tobacco customer—the United Kingdom—Rhodesian farmers reduced their output of this crop with a resultant drop in the amount of foreign exchange it earned.

In 1964, the last tobacco crop produced before Rhodesia's declaration of independence totaled 138,000 metric tons and brought 2,800 growers a gross income of $98 million. By 1970, production had fallen off to 62,000 metric tons, the number of growers had dropped to 1,700, and gross income was $38 million. Equally stark was the drop in tobacco's contribution to the total value of Rhodesia's agricultural production—from 47 percent in 1965 to 17 percent just 4 years later.

To a large degree, Government-imposed quotas forced tobacco growers into other crops.

Production costs for tobacco have risen steadily since 1965, while average price per pound has declined steadily. As a result of decreased profitability and a forced drop in output resulting from the Government production quotas, many tobacco farmers began to raise corn, cotton, wheat, and cattle.

The movement away from tobacco growing had started prior to UDI; many producers had come to realize that Rhodesian agriculture was too dependent on tobacco. The U.N. sanc-



Corn, here growing beside a potato field, is a traditional Rhodesian crop.

tions have tended to accelerate this trend to production of other crops.

The number of **cattle** held by Europeans has increased by 54 percent since UDI, from 1.6 million head in 1965 to 2.5 million head in 1970. Including the African herd, total cattle numbers exceed 5 million head. Rhodesia's sheep numbers have also increased greatly and as a result meat production now exceeds domestic needs.

Most large tobacco farmers produced some beef prior to UDI under a crop rotation in which tobacco was grown 1 year, followed by 3 to 5 years of planted grasses. Thus, when tobacco production was curtailed, the farmers' response was to raise beef numbers by allocating additional resources to livestock production.

Also contributing to the increase in cattle numbers were great strides in increasing productivity in the beef industry. Weaning rates rose and death rates from disease dropped.

The **cotton** industry was an infant in the late 1950's but progress in the control of insect pests gave renewed impetus to growth in cotton production. Increased momentum resulted when tobacco quotas were imposed after UDI.

Production of cotton lint increased over tenfold from an annual average of 3,000 metric tons in 1961-65 to 36,000 metric tons during the 1966-70 period of sanctions. The price of cotton increased 3.4 percent during 1966-70, while national average yield increased by 13.2 percent over the same period.

Because cotton could be grown in the same regions as tobacco, the cotton crop partially filled the hole left by the decrease in tobacco production. Now, even at its tender age, the cotton industry is developing into a giant on the Rhodesian agricultural scene.

Corn is Rhodesia's traditional crop. Even before UDI, area planted to corn was expanding under the influence of modern varieties which brought increased yields. Because most tobacco farmers grew corn as a sideline crop, it was their natural first choice as an alternative product. The result was record increases in corn production since the sanctions, reaching 1.2 million metric tons in 1971. The 1972 crop is over 1.4 million metric tons.

Cattle grazing on a farm near Salisbury, the Rhodesian capital.

Until recent years, **wheat** was not a popular crop with Rhodesian farmers. Yields were low and the price at which wheat could be imported made domestic production uncompetitive in Rhodesia. However, the threat that economic sanctions would result in a cutting off of imports spurred the Government to offer high guaranteed prices for wheat.

The higher prices coincided with a breakthrough in yields, with a growing interest in a profitable crop to grow under irrigation in the winter, and with the need to diversify out of tobacco and sugar. As a result, wheat production in 1971 reached 82,000 metric tons—compared with 25,000 tons just 2 years ago. Some observers say self-sufficiency may be only a few years away. Much of the wheat is grown on fields at the Sabi-Limpopo irrigation project where wheat is grown regardless of economics.

What will happen to Rhodesia's agricultural diversification program when it becomes possible for the African country to legally export tobacco in the future? Such a situation in Rhodesian agriculture can be better appreciated when questions of farm income and relative profitability of crops other than tobacco are considered.

The Rhodesian farmer has faced a period of depression since 1961 during which profitability in the agricultural sector declined. In only 3 individual years after 1961 did the overall gross profit level of agriculture increase.

Owing to low profit levels in the years immediately following 1961, however, the sanctions period of 1966-70 yielded gross profit level for Rhodesian agriculson with those of 1961-65; in 1969 the gross-profit level for Rhodesian agriculture was at a record high.

Although overall profits declined 1 year later, 1971 was an exceptionally good year and possibly yielded an overall gross profit level for Rhodesian agriculture well above those experienced when tobacco was in its heyday. For

RHODESIA: ORIGIN OF GROSS DOMESTIC PRODUCT
[In millions of dollars]

Source	1963	1964	1965	1966	1967	1968	1969	1970
Agriculture and forestry	180.4	184.9	178.7	190.6	201.0	182.7	225.8	225.8
Manufacturing	150.2	166.1	191.2	175.0	201.6	228.0	254.1	303.5
Mining	44.2	53.2	67.6	63.2	64.6	67.7	86.9	88.3
Other	488.0	493.5	523.8	517.8	541.1	615.4	681.2	722.1
Total [1]	862.9	897.8	961.5	946.8	1,008.4	1,093.9	1,248.1	1,339.8

[1] May not add because of rounding.

Grading Rhodesian tobacco. Production and exports fell after U.N. sanctions.

the agricultural sector as a whole, it would seem that diversification will provide Rhodesia with a chance to make good serious income losses from decreased tobacco production.

However, what is good in the aggregate is not necessarily good at the individual level. A recent survey by the Rhodesian National Farmers' Union gives details which indicate that although the gross profit for agriculture seems to be improving, the percentage of farmers earning a profit is actually decreasing.

The problem seems to be that UDI-caused diversification programs brought a shift from highly lucrative tobacco into less profitable crops like corn and cotton. For the tobacco producer, diversification has had the effect of reducing land-unit costs since the alternative crops are less labor intensive and thus less costly to produce than tobacco.

Although there has been a substantial decrease in operating costs per unit, production of alternative crops has resulted in an even greater decrease in return per unit so net incomes have declined for pre-UDI tobacco producers. Thus, diversification has not been beneficial to all producers.

The African worker who was formerly engaged in growing tobacco has been adversely affected. With the reduction in area planted to tobacco many workers have returned to subsistence agriculture with a much lower income.

The minimum economic size for a tobacco crop in Rhodesia was estimated to be 60-75 acres prior to UDI. With a rotation period of 4 to 5 years this meant that a tobacco farm of 250-370 acres was quite economic. But for alternative crops such as corn or cotton on dryland farms, an area of 370 acres, given the proper rotation, would prove inadequate to yield a return as great as that from 75 acres of tobacco. Even a large tobacco farmer who switched entirely into other crops found that he is, relatively, a small producer. Estimates indicate that almost 7 acres of cotton or 10 acres of corn are required to return a level of income equal to that provided by 1 acre of tobacco.

Moreover, the Rhodesian Government is considering restrictions that may prevent the return of some farmers, now producing corn, cotton, wheat, and cattle, to tobacco production. Already it has boosted the tobacco quota at which it will provide support from 132 million pounds to 145 million. Consideration is being given to boosting the price-support quota to 200 million pounds as quickly as possible. But present thinking is to limit this increase in quota to present growers and permit new producers to enter the field only after the 200 million pounds have been reached.

This action may keep many farmers from going back to tobacco production, and could eliminate some inefficient farms from the scene.

Prospects for producers of alternative crops—livestock, corn, cotton, and wheat—seem to be generally confused.

The rapid diversification into **cattle** production following UDI has resulted in an unprecented surplus of slaughter stock in the past few months. Because of a shortage of cold storage space, the Cold Storage Commission, Rhodesia's central marketing organization, has announced that deliveries of stock to its depots were to be cut 40 percent during May-August.

It is reported that this cut in deliveries may have cost cattle farmers about $28 million in direct and indirect losses.

While the Rhodesian livestock industry may become an important supplier of meat to the deficit areas of Southern Africa and sell to some European countries, a better balance between production and demand will have to be achieved.

The growth of Rhodesian **wheat** production could result in near self-sufficiency. Although it is not likely to develop into a wheat-exporting country of any consequence, increased output could reduce Rhodesia's wheat imports.

Corn production will probably drop somewhat to come closer to domestic needs. Rhodesia probably will not become a large-scale corn exporter because the cost of shipping Rhodesian corn from producing areas to shipside is high and puts it at a price disadvantage on world markets.

Rhodesia will probably continue to export **cotton.** The quantity available for overseas shipment will likely depend on world prices and international demand.

Rhodesia recently finished harvesting bumper crops of corn and cotton. The effect such heavy output of these crops will have on current and future plans of Rhodesia's farmers is unknown.

RHODESIA: PRODUCTION OF SELECTED AGRICULTURAL PRODUCTS[1]

[In thousands of metric tons]

Year	Tobacco[2]	Wheat	Corn	Cotton
1963	82.6	1.8	[3] 368.4	[3] 1
1964	137.9	2.9	[3] 252.7	[3] 5
1965	103.9	4.5	[3] 256.2	[3] 9
1966	112.9	(4)	(4)	[3] 13
1967	93.4	(4)	(4)	[3] 17
1968	59.9	18.1	362.9	[3] 45
1969	62.1	24.5	1,088.6	52
1970	62.1	(4)	(4)	52
1971	(4)	81.6	1,179.3	52

[1] From unofficial sources unless otherwise noted. [2] Rhodesian Tobacco Journal. [3] Official Government figures. [4] Not available.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sept. 6	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.34	+8	1.93
USSR SKS-14	(1)	(1)	1.88
Australian FAQ[2]	2.00	−3	1.72
U.S. No. 2 Dark Northern Spring:			
14 percent	2.11	+7	1.90
15 percent	(1)	(1)	1.99
U.S. No. 2 Hard Winter:			
13.5 percent	2.10	+11	1.80
No. 3 Hard Amber Durum	2.08	+2	1.81
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.70
Feedgrains:			
U.S. No. 3 Yellow corn	1.56	+4	1.39
Argentine Plate corn	1.84	+6	1.65
U.S. No. 2 sorghum	1.59	+2	1.42
Argentine-Granifero sorghum	1.61	+3	1.47
U.S. No. 3 Feed barley	1.41	+6	1.06
Soybeans:			
U.S. No. 2 Yellow	3.81	−7	3.41
EC import levies:			
Wheat[3]	[4] 1.69	−8	1.49
Corn[3]	[4] 1.16	−3	.99
Sorghum[3]	[4] 1.12	−2	1.01

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

New Grain Terminal For Western Australia

A new grain export terminal is to be constructed at Kwinana in the State of Western Australia at a cost of about A$42 million. Provision will be made for loading 100,000-ton vessels at a rate of about 5,000 tons per hour. Bulk carriers will be able to berth in up to 60 feet of water. The new facility is expected to be completed in about 3 years.

Current EC Grain Production and Trade Prospects for 1972-73

Based on early August conditions, U.S. Agricultural Attaché Offices in Europe estimate the current EC grain crop at 75.5 million metric tons compared with the final outturn of 76.1 million metric tons last year. In recent weeks, however, adverse weather conditions, particularly wet weather during the small-grain harvest period, have resulted in a general expectation that both quantity and quality of the crop would be somewhat reduced.

As to the breakdown between wheat and coarse grains, the estimates showed wheat production down about 200,000 tons from 1971 and coarse grains down about 400,000 tons. With domestic grain requirements likely to increase by 1.0-1.5 million metric tons, and barring any significant change in stocks level, the new season's production level could mean a 2-million-ton increase in the EC net import position for the 1972-73 season. To the extent that the final crop outturn is below 75.5 million tons, the increase in net imports could be increasingly larger.

Australia–USSR Wheat Deal

Australia has sold the Soviet Union 1 million metric tons of FAQ wheat for cash—delivery between September 1972 and May 1973. Most of this wheat will have to come from the 1972-73 crop, to be harvested November-January.

Sweden Sells Grain to USSR

Sweden has sold 500,000 tons of grain to the USSR out of its 1972 crop. Shipments are to be completed by the summer of 1973. Quantities of individual grains are not given, but the sale includes wheat, rye, barley, and oats. Sweden has also sold Western Europe 400,000 tons of its new grain crop, thus leaving about 600,000 tons available for export. Last year, nearly 400,000 tons of Swedish grain were sold to Eastern Europe, but there has been no report of such sales this year.

FATS, OILS, AND OILSEEDS

Peruvian Fishmeal Exports Will Decline in 1972-73

Peru, the world's leading fishmeal exporter and the No. 1 U.S. competitor in the foreign market for high-protein meals, is facing a substantial shortfall in exportable supplies in 1972-73.

According to a recent survey by a Food and Agriculture Organization team, fish availabilities in Peruvian waters are down sharply and could result in reduced meal output in 1972-73. The anchovy scarcity reportedly reflects a change

in the ocean current which has disturbed the plankton that anchovies feed on, causing them to scatter and move to greater depths. If this situation persists, it could result in a sharp reduction in Peruvian fishmeal output in 1972-73 with a possible delay in opening the fishing season.

The duration of the present fish scarcity is not predictable; however, a change in the current could come at any time and could bring fish to shallower depths within seine reach.

With sharply lower beginning stocks and a strong possibility of reduced production in the 1972-73 season, it seems likely that exports will drop substantially from the 2.2-million-ton volume of 1971-72. Even assuming that the catch were sustained at the 1971-72 volume, exports would have to drop by at least 440,000 tons—equivalent to 29 million bushels of soybeans—since stocks are currently at a minimum.

PERUVIAN FISHMEAL: ESTIMATED SUPPLY AND DISTRIBUTION

Item	1966-67	1967-68	1968-69
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
Stocks, Sept. 1	244.8	375.0	271.4
Production	1,531.3	1,852.1	1,868.5
Total supply	1,776.1	2,227.1	2,139.9
Exports	1,371.7	1,908.8	2,045.1
Consumption	29.4	46.9	44.9
Stocks Aug. 31	375.0	271.4	49.9
Total distribution	1,776.1	2,227.1	2,139.9
Fish catch	8,243	9,974	10,087
Indicated meal extraction rate	*Percent* 18.6	*Percent* 18.6	*Percent* 18.5
Soybean equivalent of exports	*Million bushels* 91.6	*Million bushels* 127.5	*Million bushels* 136.6

	1969-70	1970-71	1971-72
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*
Stocks, Sept. 1	49.9	164.6	639.0
Production	1,943.0	1,859.6	1,816.7
Total supply	1,992.9	2,024.2	2,455.7
Exports	1,795.0	1,330.7	2,200.0
Consumption	33.3	54.5	55.7
Stocks Aug. 31	164.6	639.0	200.0
Total distribution	1,992.9	2,024.2	2,455.7
Fish catch	10,868	9,952	9,297
Indicated meal extraction rate	*Percent* 17.9	*Percent* 18.7	*Percent* 19.5
Soybean equivalent of exports	*Million bushels* 119.9	*Million bushels* 88.9	*Million bushels* 150.3

Sociedad Nacional de Pesquería and other sources.

LIVESTOCK AND MEAT PRODUCTS

Oceania Wool Prices Gain

World wool prices are continuing to recover from their low 1970-71 levels. Wool prices at the recent Auckland, New Zealand, sale averaged 51 cents per pound, compared with the low 1971 level of 26 cents per pound.

In Melbourne, Australia, average merino wool prices were 12 to 14 cents per pound higher than a year ago.

July Imports of Meats Subject to Meat Import Law Up 13 Percent

Imports of meats subject to the Meat Import Law totaled almost 107 million pounds in July—up 13 percent from the same month last year. Larger entries from Oceania provided most of the gain. The first imports of beef from El Salvador appeared in July. Effective April 14, 1972, El Salvador joined the 13 other countries currently eligible for shipping fresh, chilled and frozen meats to the United States subject to the Meat Import Law.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW, BY SOURCE, JANUARY-JULY 1972, WITH COMPARISONS[1 2]

Country of origin	July		January-July		Change from 1971
	1971	1972	1971	1972	
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Australia	52,729	58,702	257,193	336,438	+30
New Zealand	18,801	29,893	113,655	133,109	+17
Mexico	3,806	4,580	54,772	46,768	−15
Costa Rica	1,293	566	30,936	37,486	+21
Canada	6,038	5,749	46,402	35,315	−24
Nicaragua	1,806	2,007	21,087	25,500	+20
Ireland	5,498	2,014	43,889	23,080	−48
Guatemala	2,614	1,244	11,913	12,664	+6
Honduras	718	1,004	10,023	9,879	−2
Dominican Rep.	939	648	2,331	5,965	+155
Panama	—	39	1,353	1,895	+40
Haiti	161	38	488	1,085	+122
El Salvador	—	334	—	344	—
United Kingdom	—	—	1,149	37	−97
Total[3]	94,404	106,817	595,191	669,555	+12

[3] Preliminary.

[2] Fresh, frozen and chilled beef, veal, mutton and goat meat, including rejections. Excludes canned meat and other prepared or preserved meat products.

[3] May not add to total due to rounding.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW (P.L. 88-482), BY KIND
[In millions of pounds]

Imports	July	January-July
1972:		
Subject to Meat Import Law[1]	106.8	669.6
Total beef and veal[2]	120.9	748.6
Total red meat[3]	164.3	1,063.7
1971:		
Subject to Meat Import Law[1]	94.4	595.2
Total beef and veal[2]	112.5	697.8
Total red meat[3]	152.8	979.0
1970:		
Subject to Meat Import Law[1]	110.0	691.5
Total beef and veal[2]	123.9	766.7
Total red meat[3]	170.1	1,058.5

[1] Fresh, chilled, and frozen beef, veal, mutton, and goat meat including rejections.

[2] All forms, including canned and preserved.

[3] Total beef, veal, pork, lamb, mutton, and goat.

FRUITS, NUTS, AND VEGETABLES

Australian Canned Fruit Pack Smaller

Australia reports a smaller 1972 canned deciduous fruit pack. Production is estimated at 9.7 million cases (equivalent 24/2½ basis), 14 percent below the 1971 total of 11.3 million cases, but above the 1965-69 average. Good crops of peaches and pears were reported in the Goulburn Valley; however, tough cannery restrictions sharply cut quantities accepted by processors. Smaller apricot crops were reported in all major production areas.

Canned peach production is estimated at 4.6 million cases, 4 percent below last season. Cannery peach restrictions were mainly based on higher grading standards. The canned pear pack is estimated at 2.3 million cases, 32 percent less than 1971 and slightly more than one-half the record 1970 pack. Cannery pear restrictions were severe and large quantities were sold for fresh use or dumped. Apricot production was smaller and rain damage reduced supplies of canning-quality fruit. Canned apricot production is estimated at 840,000 cases. Cocktail production is estimated at 1.1 million cases. Production of two fruits and fruit salad was below 1971.

AUSTRALIAN CANNED DECIDUOUS FRUIT PRODUCTION
[In thousands of cases, equiv. 24/2½'s]

Item	1970	1971	1972 [1]
Peaches	3,934	4,852	4,648
Pears	4,394	3,478	2,346
Mixed fruit:			
Cocktail	1,098	816	1,000
Two fruits	1,251	872	713
Salad	45	89	87
Total mixed fruit	2,394	1,777	1,900
Apricots	773	1,206	840
Total production	11,495	11,313	9,734

[1] Preliminary.

West Germany Announces Cut Flower Import Tender

West Germany has announced a tender allowing imports of fresh cut flowers (except tulips, cut hyacinths, cut narcissus and orchids) from the United States and many other countries.

Applications for import licenses will be accepted until an undisclosed value limit is reached but not later than May 10, 1973. Licenses issued will generally be valid until May 15, 1973. The first day of customs clearance is October 1, 1972. All flowers must meet EC quality standards and West German phytosanitary requirements.

Italian Filbert Estimate Raised

Italy reports 1972 filbert crop prospects have improved, but production will still fall below the large 1970 and 1971 crops. Filbert production is estimated at 88,000 short tons (in-shell basis), 20 percent below 1971, but well above the 1965-69 average. Unfavorable spring weather reportedly caused some damage and production is down in Sicily and Campania. Crops in Central and Northern Italy are reported good.

Total 1971-72 season exports are estimated at a record 76,000 tons (in-shell basis), 25 percent above 1970-71. Actual exports through May 1972 totaled 16,900 tons in-shell and 20,800 tons shelled filberts. Imports have been negligible.

Larger South African Dried Fruit Pack

South African reports a larger 1972 dried fruit pack. Weather was good and production is estimated at 21,300 short tons. Raisin production totaled 13,900 tons, slightly more than the 1971 crop of 13,400 tons. Raisins comprise 65 percent of the total dried fruit crop.

Larger raisin exports are forecast during the 1972 season. Exports of raisins and currants totaled 7,872 tons during 1971. The United Kingdom and Canada are the principal markets for South African raisins.

SOUTH AFRICAN DRIED FRUIT PRODUCTION
[In thousands of short tons]

Item	1969	1970	1971	1972 [1]
Raisins	18.5	13.7	13.4	13.9
Prunes	2.6	1.9	1.9	2.0
Peaches	1.8	1.9	2.2	2.0
Apricots	1.2	1.1	1.0	1.3
Pears	1.4	.7	.4	.9
Currants	.7	.7	.8	.8
Other	.5	.3	.4	.3
Total	26.7	20.3	20.2	21.3

[1] Preliminary.

Reduced U.K. Hops Acreage

Acreage under hops in the United Kingdom totaled 16,874 acres on June 4, 1972, approximately 3 percent below the corresponding date last year. Projections based upon the 1971 yield call for a 1972 harvest of 24.6 million pounds, also 3 percent below a year ago. However, unfavorable weather conditions have hindered plant development and unless fall conditions improve, output could be below this projection.

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FOREIGN AGRICULTURE

India Continues To Buy U.S. Tallow (Continued from page 7)

produced each year with the potential at around 150,000 tons. For the present practically all rice bran oil is used by the soap industry as a soft oil because hydrogenation is necessary if it is to be substituted for tallow.

Extensive hydrogenation is most difficult because the rice bran oil being produced is of low quality and very high in free-fatty acids. This major problem occurs after the rice polishing operation when the lipolytic enzyme is activated and swiftly attacks the fat splitting it into free fatty acids. This makes the oil inedible and difficult to refine. In India rice mills are scattered throughout the country so by the time bran is hauled to the extraction plants and processed the free-fatty-acid content is so high that it is only suitable as a soft oil in making soap.

Synthetic detergents as a substitute for laundry soap have been introduced only recently in the Indian market. The output of five plants now operating has jumped from 18,700 tons in 1968 to some 50,000 tons in 1971 with the increasing emphasis on detergent production. As a result, the quotas for importing essential raw materials are more liberal and the plants are now operating near full capacity.

Licenses have been approved for constructing more plants and capacity may increase to 100,000 tons within the next few years. However, detergents are not a conventional household washing item in India and are more expensive than washing soap. Consequently, their widespread adoption, especially in the rural areas, will require a well-planned publicity program.

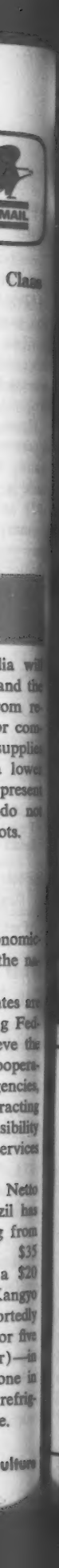
Thus, India's strong desire to become self-sufficient in its oil and fat needs for soaps will not be fulfilled in the near future. Without the assistance of P.L. 480 and AID funds, India will move to commercial purchases and the level of imports may decline from recent levels. Australia is the major competitor for the market but its supplies are limited and generally of a lower quality than U.S. tallow. Also present docking facilities in Australia do not permit loading in tanker-size lots.

Brazil Expands Port and Transport Facilities

To maximize export capacity for its increasing agricultural production, the Brazilian Government is developing a program called "export corridors," involving the implementation, expansion and modernization of new or existing port facilities and of the transportation systems linking these ports to the interior production areas.

A main objective, according to a recent report from the American Consul at Rio de Janeiro, is to enable Brazil to export approximately 4 million metric tons of grains and $500 million worth of frozen beef, within the next 3 years.

High-speed loading systems are to be installed in the ports of Santos, Paranaguá, and Rio Grande, all located in south-central Brazil. In the States of São Paulo, Paraná, and Rio Grande do Sul, priority is being given to improvement of the highway system. In a parallel effort, the Federal Railroad System is improving and expanding its facilities in order to compete economically with the service offered by the nation's trucking concerns.

The Governments of these States are actively engaged in supplementing Federal Government efforts to achieve the objectives of this program. In cooperation with responsible Federal agencies, they are conducting studies, contracting for know-how, engineering, feasibility studies, construction, and other services required.

Minister of Finance Delfim Netto announced on June 6, that Brazil has obtained $55 million in financing from Japan to purchase equipment: $35 million in supplier credits and a $20 million loan from the Dai-Ichi Kangyo Bank. Japanese firms have reportedly already been awarded contracts for five grain loaders (1,500 tons/hour)—in Santos, two in Paranaguá, and one in Rio Grande—and a 10,000-ton refrigerated warehouse for Rio Grande.